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# AN INSIDER'S VIEW OF DIVESTITURE'S INSANITY

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## INTRODUCTION

As 1983 winds down it brings dissolution of a 100+ year old and remarkably service-efficient Bell System. It seems appropriate therefore, to record one "insider's" thoughts regarding this exercise in Big Government bureaucratic insanity.

This monograph offers some perspective and predictions about divestiture - these, from an insider privileged to have worked in many sectors of this remarkable enterprise - both in Operating Company settings, plus, various Headquarters and overseas environments.

A career-long curiosity regarding this organization and the strategic focus of its evolution, including recent work on issues central to the Government's case, make it seem obligatory that such a record be compiled from a view not likely to be found in the legal briefs surrounding the DOJ's anti-trust case (with the FCC bureaucracy contributing as Justice's willing handmaiden).

## BACKGROUND

In general terms, the DOJ has based its justification for bringing the anti-trust suit against the Bell System, and which resulted in this "divestiture insanity", on these primary issues:

- Foreign equipment (Carterphone) "network harms" issue
- "Inferior access" for competitive long distance firms
- Monopolization of equipment supply by Western Electric

In reality, by the time the case reached its present stage, much of the basis for the above complaints, had long since been eliminated. Discussion of what has transpired to address DOJ concerns is offered in some detail - this, to make clear how politics has been allowed to grossly override long term interests of ratepayers and investors (not to mention the national defense and economic competitiveness of America).

### The Network "Harms" Issue

Despite those who claim the "harms" issue was a smoke screen to keep out competition, the writer's experience as a BOC District Maintenance Engineer, provided abundant proof that indiscriminate connection of non-standard or non-interoperable devices to the Bell Network, can and has caused harms of one sort or other (service-affecting impairments, expense-causing compatibility investigations) - these, ranging from excessive transmission levels, out of spec dialing and signaling formats, poor or inadequate electrical protection designs and the like.

Most of these matters have been rendered moot in recent years - largely by widespread availability of Bell Standards and Technical Requirements publications. This has ensured that non-Western products or

non-Bell communications links can be safely and cost-effectively connected to the Network.

### **Inferior Access**

This is another smoke screen by "technology carpetbaggers" who want a free ride from a set of shareowners different than their own. The present forms of two-wire of telephone number interconnection to the "Network", require only minimal investment. Providing "toll grade" connections like those furnished to other regulated common carriers, require far more elegant and pricey technology costs for the "carpetbaggers".

Their demands are as though Grand Union came into a "Pathmark town", demanding under government authority, that Pathmark provide floor space, carts and parking lot privileges at cut rates (until GU can take enough Pathmark business to build its own store and lots).

### **Equipment Supply**

Of all these complaints, the equipment supply matter makes the least sense (yet carried much weight) - largely, because it has the least foundation in reality. Since the BOCs for many years have, in fact, been making significant "buys" of non-Western gear (in both customer equipment areas and transmission products), the procurement issue has rapidly been rendered moot. This, by selections of Bell-quality technology in the market. Even complete central office switching systems are now installed by some of the Companies - e.g., gear from suppliers such as Northern Telecom, ITT, North Electric, Nippon Electric and Stromberg-Carlson.

Regrettably, until AT&T Headquarters established its full fledged Bell System Purchased Products Division (BSPPD) to search out and evaluate suitable technology, BOC attempts to introduce big ticket systems such as C.O. switches, were not particularly effective - this, because of reliability, compatibility, maintainability and other "standards-related" issues (i.e., documentation, quality, support, training, etc.).

Some years before the divestiture mandate came into force, very significant progress had been made in centrally contracting for and "standardizing", major "outside" systems - i.e., technology of the sort Western Electric would have historically built and sold to the Telcos.

For example, new digital central office products (both an exchange central office switch and toll tandem machine) have been successfully put through rigid competitive technical evaluations and deployment. In the case of the Northern Telecom DMS-10 Local CO switch, it **was** found superior to Western's comparable 3A-ESS digital system. The DMS-200 toll switch was determined to be fully compliant with the requirements which underlie Western's No. 4ESS machine, and the DMS100 with the 5ESS.

Similar major standardization decisions were made for a wide range of other products. This included developing requirements for major systems and subsystems that could be developed from scratch by any

supplier willing to undertake the design and development effort - that, normally reflected in standard Western offerings. This includes 2<sup>nd</sup> generation Computerized Directory Assistance systems, digital microwave

radio, fiber optic systems, T-1 Carrier and a wide range of outside plant technology.

In effect, by the time divestiture was being considered, the BOCs had "technically compliant", and economically competitive, alternative choices for virtually all Western product lines.

More important, using the processes developed by BSPPD and the RS&E (Research & Systems Engineering) side of Bell Labs, a systematic form of "requirements and technical evaluation" protocols have been put in place - these, for use by any vendor seeking to sell to the BOCs. Central AT&T testing and contracting in this fashion, has given the BOCs purchasing and pricing leverage none of them will ever be able to realize singly (as stand alone buyers).

## **THE "INSANITY'S" PRINCIPAL DESTRUCTIVE ELEMENTS**

These "perceptions" treat 'divestiture insanity' in the following contexts:

- Customer and Ratepayer Impact
- Network & Service Standards
- Loss of a Unique and Irreplaceable Scientific Resource
- Exacerbating Already Counterproductive Regulatory Harms
- Degradation of Service and Accountability to Customers
- Loss of 100 years of Telecom Institutional Memory

With one or two exceptions, all of these "perspectives" are demonstrably provable - not just speculation about what might occur!

### **Customer & Ratepayer Impact**

Absent a radical restructuring of state regulatory policies, including elimination of predictable political delay in removing artificial subsidy of local service by toll revenues, overall rates will not decrease. No regulatory bureaucrat or politician is likely to want "real cost" rate making that will raise local dial tone rates by a factor of two or three.

Further, as each new part of the network **is disaggregated, end-to-end** accountability for service will diminish. Service delays and quality deterioration will follow as multiple standards and policies materialize, absent the discipline of a single "quality controlled" and tightly indexed "natural system".

Finally, the "circular finger pointing" phenomenon will increase as more players get into what has until now been a single game. That is, as

multiple carriers become involved in delivering a ratepayer's overall service, trouble clearing or service establishment becomes the customer's job to coordinate.

The concept of a "control office" tech, with responsibility to act for the customer, including authority for escalating service problems to some distant company CEO (to demand application of resources needed to resolve an un-addressed service priority), will disappear with divestiture. The rate payer will truly be on the outside, looking in.

### **Network & Service Standards**

The existing Bell System structure provides for common operating procedures and technical standards throughout the Companies. In emergencies, every BOC can call on any other Bell Company for help with manpower, equipment and facilities. This, knowing that tools, training and practices are compatible and immediately usable to meet rebuilding and restoration needs.

Sharing costs of creating and maintaining the practices and procedures for operating the Network, offer the economies of scale not realizable by individual Telcos. The cost and overhead of developing and maintaining such things as the traditional Bell System Practices (BSPs) will become prohibitive. Plus, the ability to do things in a uniform fashion across corporate boundaries, will have to give way to concerns for competitive security and protection of trade secrets and markets. There will eventually have to be some sort of re-aggregation to meet customer and shareowner expectations (but likely on a contracted basis or the like).

Creation of the Central Services Organization (CSO), made up of BTL Research and Systems Engineering (RS&E) personnel and ATT General Dept's specialists, may provide some of the traditional support services, and in fact, may suffice for awhile. But, as the divested Companies begin to compete with one another, CSO will be caught in conflicts of cost, service, priorities and security.

It is not probable that study work funded by one company, aimed at stealing the lunch of a neighbor, can result in the economies of scale and cost effectiveness realized by doing such work just once for an entire nationwide enterprise.

It is also not likely that an artificially structured "standards" organization of this sort, will survive for long in a real world market place. Worse, probably, most of the Companies will be forced to establish their own standards and practices creation capability - that, or rely on suppliers and contractors for such services. This observer's guess is that CSO will not last 10 years in its presently conceived form.

### **Loss of an Irreplaceable National Resource**

The RS&E segment of Bell Labs is a unique and never-to-be-replaced or duplicated national treasure. This segment of BTL has traditionally been supported almost entirely by a small part of the "license fee" which AT&T bills the Companies for its central support functions. This part of the Labs does the basic research which underlies many of America's most valued technological advances - e.g., the transistor, cellular radio, the

laser, satellite communications, many vital defense technologies, etc. The "Labs" have long been ranked among the world's very top world scientific research organizations.

While much pure research is performed, when discoveries having telephony or data systems potential are encountered, they are "thrown

over the wall" to the part of the Labs funded by Western Electric for product development and manufacturing.

It is highly unlikely that any private company, government or even university, will, in the future, ever be able to undertake such wide ranging and valuable study and invention - both for civilian and military use.

Regrettably, the big government aficionados of the Washington bureaucracy, are incapable of comprehending the significance of this tragic and disastrous consequence of their legal boondoggles. Some future historian will, without doubt, equate this as near treasonous DOJ motivation (driven by the New Deal and '60s campus radicalism, even now beginning to show up in government telecom policies, regulation and strategies).

### **Counterproductive Regulatory Harms**

As an insider to the ATT technology evaluation process, it has been possible to observe one of the most egregious examples of heavy-handed and destructive Federal regulatory malfeasance - the FCC's 10 year long delay in allowing introduction of cellular radio communication service to the US markets.

This is a technology conceived and developed by BTL, yet the FCC (and likely the DOJ), with its near-socialist "anti-competitive fears", has let the Europeans and Asians, both, exploit markets and technology manufacturing opportunities all over the world (except the US). Only in recent months has the FCC set licensing and spectrum allocation decisions in place.

To illustrate, the first cellular radio product 'standardization evaluation" has just been done by ATT (BSPPD), and with a Japanese product being the first selected (Oki Electric). The probable price of near \$4000, is likely far higher than a similar product would have been today, if 10 years of market and technology development were behind us.

Similar stories can be told about the heavy hand of government regulators in delaying introduction of other new telecom products and services. The unrealistically long depreciation schedules and "rate-of-return" rate setting in the local Telcos, have precluded timely introduction of other innovative services **and products..e.g., electronic** switching to supplant the outmoded, inefficient and labor-intensive electromechanical systems - many, still widely deployed in most BOCs.

### **Degradation of Service**

System-wide and world famous service and maintenance quality standards, now found throughout the Nation, will be one of the first casualties of the break up of Bell. For example, there are currently

rigid and demanding "bogies" for every facet of telecom service delivery and quality.

To illustrate, service index penalties are levied for slow answering time by telephone operators, Business Office reps or Repair Service attendants. Similar penalties obtain for trouble reports which are called in again within 30 days of a previous report. Manager paychecks and career advancement are directly tied to such

measurements...and, to be sure, these are powerful personnel motivators!

Such quality measurements will be among the first casualties of BOCs, cut loose from the funding and central support which has enabled them to keep local costs minimized (and quality high).

### **Loss of "Institutional Memory"**

The 100+ years of Bell System service and operations continuity, represent a systematically refreshed and replenished flow of skill and knowledge about how to plan, provision and operate an ever-more complex, but reliable, network (and the services it provides). Already, there are signs in the BOCs, that loss of this special continuity is being experienced.

Knowledgeable managers and occupational personnel are being encouraged to take early retirement. These people typically have the most knowledge and institutional background - the sorts of vital knowledge which younger employees have traditionally absorbed by working alongside them. Over time, this is certain to seriously compromise the BOCs ability to maintain the standards of service and reliability Bell customers are accustomed to.

## **CONCLUSION & PREDICTIONS**

### **Conclusion**

It is doubtful that the US Government has ever imposed a more destructive and counter productive piece of legal and regulatory flim-flam on the American public. At a time when digital technology, the microprocessor, software-defined networking, fiber optics, cellular and other forms of radio-derived services, promise undreamed of gains in productivity and flexibility, the social meddlers are doing to the telecom industry, what they failed at in their effort to dismember IBM and its global computing reach.

The long promised cost reductions and service improvement promised by computerization, electronic stored program switching and wide band digital transmission, are finally just being realized. This, largely because both product and market management "marketing" have come into play in Bell. That is, customer needs and wants are finally driving technology. instead of the reverse (which has been the historical course of service evolution in the Bell System).

Casting the telcos loose, absent this central vision and BTL R&E systems research, will significantly slow the introduction of many services and capabilities, just now being conceived by 295's Market Management planners - and, being 'shopped' by BSPPD for development, to potential suppliers.

Even more distressing, is unwillingness of certain Headquarters leaders to authorize a rigorous and urgent tutoring program to expose BOC Engineering and Purchasing personnel to the processes and skills developed in recent years (to put non-Bell suppliers to work meeting new market needs). From personal experience, this observer can state categorically, current BOC engineers and planners simply don't have the background and training to take on this function, "cold".

Finally, there has been no mechanism to apprise the public (in relevant terms) of just how badly their government is affecting the price and quality of their telecom service. They will only discover this when cost and price of service begin to depart from the norm - the "best-in-the-world" standards they've long been accustomed to. By then, those responsible for this travesty will be long gone or their "trail" become cold.

### **Predictions**

1. Although creators of the CSO believe it will become a "world class scientific organization", it's doubtful that a competing clients-supported pure research and standards enterprise, will survive the stresses of a multiple-owner constituency... especially, when no bottom-line near term benefit can be seen by new managements lacking 100+ years of historical perspective.
2. Benefits of "competition" between carriers will not lower overall prices to customers! State and Federal regulators won't allow the subsidies to be removed or mass services priced at cost. It's a good bet that the BOCs will also not be allowed into long distance service for a long, long time. The DOJ and District Court are not at all likely to let go of this goodie soon. "Freeing the BOCs" could well drag on at least as long as has the "Case" itself, has.
3. Life for the individual telephone user will become increasingly complicated as multi-vendor service provisioning moves into the picture. The prompt and efficient Business Office, Installation and Repair Service functions, so long the "gold standard" of customer service, will doubtless deteriorate as competition and pressures on cost, grow.
4. The Courts and regulators will continue to find reasons to hold control of what should be dealt with like any other service or commodity in the marketplace...phony "consumer groups" will take up where DOJ lawyers and judges have left off in brain washing voters.
5. Ultimately, some sort of telco re-aggregation will have to occur! Service which relies on standards and consistency, and can prosper only with a correspondingly sized headcount, will

have to find ways to regain the economies of scale once enjoyed with centralization.

The foregoing is not a sour grapes litany of despair...only the conclusions of a long-experienced Bell upper middle manager (with a lot of hands-on engineering and operations insight) . and, one, who has had occasion to observe the best and worst of the Bell System from both inside and from off-shore perspectives. For the good of Bell share-owners and surviving employees, I can only hope my views turn out to be categorically and totally wrong!

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Central Services Organization - BSPPD  
8 August 1983

## **A DIVESTITURE INSANITY *EPILOGUE* - November 2002**

### **A Post-1983 Snapshot**

When the Wall Street Journal recently "headlined" the idea that AT&T's "corporate end" may be in sight, and Reuters carried the story that the firm's magnificent corporate campus in Basking Ridge, NJ was on the market to raise cash, it prompted the author of the foregoing monograph to engage in some "I told you so" carping. What follows, represents a few snapshots of what has happened in the world of telecom since January 1, 1984.

### **A 1991 "Outsider's" Take on Divestiture**

University of Houston faculty member, Alan Stone, has done a magnificent job of tracing the whole divestiture travesty. This, from the beginning of its historical roots as he relates it in his 1991 volume. "Wrong Number". Stone goes into great detail - first, as he recounts the superb vision of Theodore Vail and his "One Policy, One System, Universal Service, Network Management". Then he goes on to portray the full dimensions of how every piece of the old Bell System, was organized and managed to provide the best telecom service the world ever knew (and now no longer enjoys).

Stone provides the historical details which demonstrate how divestiture has eroded Vail's vision of end-to-end responsibility for service, quality and continuity, plus, national network management (regardless of who owned any particular telecom service provider).

Clearly, events of recent years reveal the price the customer has paid for deteriorating service - service, where everyone and no one can be held accountable for deficiencies related to multiple providers engaging in "circular finger-pointing" .

Except for drastically lowered long distance costs (that would have dropped anyhow with the fiber optics already being deployed by AT&T prior to '84), telephone service pricing based on actual costs, has reversed its decades-long trend of ever lowering real dollar charges for local dial tone.



## Would The DOJ-FCC "Service Destructors" Please Stand Up

It would be enlightening to ask the DOJ and FCC social engineering divestiture bureaucrats, judges and politicians, if wading through three sets of voice response scripts, then waiting through five more minutes of elevator music (interspersed with digital apologies for the delays) prior to reaching a live human, is a desirable divestiture outcome? All this, just to report a service problem or to ask a simple service question. Ask Washington if all this is better than pre-1984's 20 second answers from telco employees trained and ready to help. Or, further, would they prefer the current next day (maybe) trouble repair appointments, to 4 the hour commitments that were routine in pre divestiture Bell?

Like so many consequences of big government meddling where it doesn't belong, soon an entire American generation will be clueless to what superior, reliable and totally supported telecom service once was.

Divestiture's now turned out sort of like the dumbing down of public education by the disciples of "The Frankfurt School" - i.e., that band of pre-WWII European social radicals which came to America to impose its brand of revolutionary socialism on all the American institutions which until, then set us apart from the rest of the World. Divestiture's legal and bureaucrat architects are "Frankfurt pupils".

Except for a tiny handful of authors who have recounted the economic and service insanity wreaked by the Consent Decree, few, if any of the contemporary U.S. citizenry are even aware that there was once superb and affordable telecom service. And, that it was their own government which deprived them of same.

### The Real (and frightening) Tragedy

The real divestiture tragedy (as predicted earlier) has turned out to be the loss of the world-renowned Bell Laboratories "Research & Systems Engineering Department" (RS&E) role in the Nation's historical technical and military superiority.

The Central Services Organization (that later become Bellcore) lasted less than a decade. And as also predicted in 1983, it became apparent that Bellcore could not serve its "competing RBOC masters". When "spun-off" into its now Telcordia form, it became just another "laboratory for hire". No longer is there a national technological crown jewel of pure research, supported by a few pennies from every Bell Company phone bill.

Even the Bell Labs "development division" (once supported by Western Electric dollars), is now a shadow of itself. **As** an arm of Lucent (the post-divestiture AT&T Technologies), this agency has become also, one more hardware supplier chasing technology markets it hopes will pay off...certainly, no longer the **efficient element of a closed loop** "service system", devoted to meeting specific customer needs.

Given, the growing "dot.com" fiscal catastrophe, and over-building of network capacity, world-wide, even Lucent's survival is being questioned by the marketplace. And with that, this once special scientific asset, which the U.S. Defense Dept. counted on for much of its "military technology edge". may soon be a fading technology memory.

## **Don't Forget The Inept and For-Sale-To-Highest Bidder FCC**

Lost in institutional, public and corporate memory, is the role of an inept and "for-sale-to-highest-bidder" FCC, in giving birth and perpetuating Divestiture Insanity. It's continuing love affair with UNE-P (unbundled network elements platform), is little different from the WADS (Wide Area Data Network) and political cellular radio foot dragging of over two decades ago.

In the early **1960s**, AT&T and the Companies were a "switch throw" away from activating a nation-wide switched data network. It wasn't the Internet as we know it today, but it was the equivalent of "servers" in every significant population center, tied together with a national data facility network. The switching centers were in place and transport facilities connecting them, were tested and ready to go. Then came a "Save Western Union Telegraph Co." political message to the FCC. and the "WADS activation switch" was never thrown. And with this, it remained for DARPA. Compuserve and Prodigy to kick start the Internet **25** years later.

And so the FCC. et al, muddled around with the Bell Labs invented cellular radio technology and concept for at least **10** years. Political concern that Bell might somehow monopolize this natural evolution of telecom by extending wire line connectivity to mobile access to the network, allowed the FCC and its political shadowers, to keep cellular regulatorily bottled up while the Japanese, Swedes, Koreans, et al, skimmed off the cream of technology and service markets (for a decade).

Only a few months before the curtain came down on the Bell System, were cellular rules finally laid down and wireless markets opened for Americans to enjoy. Imagine if the Feds (via FCC) had chosen to deny development and deployment of the Internet (while say, Germany or Japan set the standards and rules for this modern information phenomenon).

## **Deregulation? It's Still Yet to Come**

Divestiture's tragic trail of bureaucratic malfeasance, political power intrusions and grossly unethical competitive attacks, all, sheltered by the foregoing, actually trace back to the Consent Decree of **1956**. As Stone notes, and as regulators still act - **1956** remained a burr under the saddle of those who'd put their power grabs and ambitions ahead of national survival and U.S. economic well being. That is, a political target reflecting the free enterprise visions and goals of those who invested in and created this once unique enterprise. 1984's divestiture tragedy was, and remains, just another Government roadblock to those visions - one, it seeks to maintain as long as possible.

Telecom customers are still unable to go to a provider for end to end service (and accountability). Customers must, 18 years after consent decree imposition, still be their own systems integrators and "continuity-reliability monitors".

Staggering amounts of capital have been squandered on failed attempts to introduce "competition" into an environment which, by nature, clamors for a regulated monopoly. Oceans of fiber optic cable have been placed underground or in the sea "on the come" - and, much of which will never be anything but "dark". Mountains of now aging hardware also sit in

failed "competitive local exchange carrier" (CLEC) equipment cages, most of it, likely to never again see service.

### **Where Did The Dividends Go? (and share value)**

Investments in traditional telecom service provider shares, could once be characterized as almost like owning government bonds. This, because those investments underwrote capital costs of an essential and heavily government-regulated public need. In return for quality service at affordable cost, governments allowed regulated monopolies to meet both investor and customer expectations.

Now, as the free-lunch folks who were let in the game on the cheap (i.e., feasting off someone else's table to deliver sub par reliability and quality), laws of the market place and economics have kicked in. The Worldcoms, Global Crossings, MCIs, MFSSs, et al, have discovered that the "Vail script" which Alan Stone described in "Wrong Number", could not be replicated on the cheap (or overnight). Neither, will contemporary fancy bookkeeping tricks substitute for the eagle-eye scrutiny of the **FCC's** ancient Uniform System of Accounts.

Sadly, the disaster of post-Divestiture "competitive telecommunications providers" is carrying down with them, many good enterprises which fed off Bell...the Nortels, Lucent's, Alcatels, etc..

And, because all this has been the government's doing, there will be no Arthur Anderson or Enron managements to hold accountable (or to punish) for ripping off investors or leaving customers with lousy or unresponsive service.

### **"Takings" on A Grand Scale**

One of the least recognized consequences of Divestiture, is the violence it has done to Constitutional property rights of shareowners whose investments in telecom plant, have been taken by regulatory fiat...this, for the benefit of those who've made no contribution to these investments. That is, the central office floor space, electric power, outside cable plant, etc., which Washington mandates incumbent local exchange carriers (ILECs) must offer at discount, to competitors.

Forcing ILECs to provide these capabilities at wholesale, relieves the CLECs of these capital costs, thus enabling them to undercut the prices of the owners of these properties. Still more egregious in this regard, is how this demand forces premature and non-profitable capital construction of otherwise unneeded facilities (to meet such internal demands).

To this untutored legal analyst, the unbundled network element-platform (UNE-P) component of divestiture, is a 4<sup>th</sup> Amendment "takings" matter on a scale of unimaginable dimensions. It's an enormous government-directed and uncompensated transfer of assets, from a set of rightful owners, to a class of recipients who have only a fabricated legal claim to same. Forcing ILECs to construct and or provide last mile and other facilities beyond their own forecasted needs, including inability to earn normally on such investments, would be grounds for litigation if one traditional private enterprise were to engage in such practices via a "tie in" demand on another.

## **Faux Deregulation and Technology - A Guaranteed Disaster**

The sham of deregulation (price caps, et al) and the thundering pace of new emerging technology, guarantees that the continuing train wreck of failing telecom technology suppliers will continue. This, and the whole carrier community being trashed by denial of economies of scale in planning and provisioning - that is, incurring duplicative overheads from separate subs, with accompanying inability to employ those wasted funds on bringing in new technologies with more immediate and higher returns. Being forced to continue planning and provisioning of technologies with 20 year life cycles, in presence of new technologies with life spans a quarter of that, reveals how "Divestiture Insanity" continues to prevail, approaching a quarter century later.

Perpetuating continued desegregation of wireless from "wire", denies the telecom using customer, the benefit of orderly integration of rapidly emerging wireless capabilities (which will be realized, once the FCC. military and broadcasters are forced from their "dog-in-manger" husbanding of grossly underused spectrum).

Not only do American ratepayers, shareowners, carriers and suppliers manufacturers suffer, but foreign operators and manufacturers increase their opportunities to exploit our markets.

### **The "Interoperation Intrusion"**

Perhaps some even less defensible effects of Washington's regulatory and judicial fiat, are the monumental administrative, operational, accounting and capital costs imposed on the ILECS (and ultimately the customer). These, by forcing them to modify and expand their management structures, billing systems, service order processing protocols and maintenance-operations technology - all, just to be able to interface and interoperate with whatever variety of plant and administrative architecture, the CLECs choose to deploy.

It's as though a band of transients speaking a variety of different languages and having special dietary requirements, was moved into a property owner's home by government - and, with the proviso that all such related fiscal burdens be borne by the property owner.

### **It's Not Just The Telcos**

Regrettably, these same fiats are being laid on other "natural monopoly" service enterprises - e.g., forcing the regulated "energy utilities" to carry or "wheel", the products of competitors over transport facilities constructed for their own use and markets.

### **"Re-aggregation" and Other Tales**

As time has passed and the great Washington social experiment has floundered, the weaker or less aggressive RBOCs have been swallowed by the more robust ones.

The once steady-earning and quality service-providing Northwest Bell And Mountain States Tel. Co., got swallowed by a different freebooter, QWEST. And now that mirage too is near bankruptcy. SBC, Bell South and Verizon are all that's left of '84's seven once-healthy RBOCs. Even the big independent, GTE, got swallowed by Verizon.

As Theodore Vail once conceived telecommunications, it was with a vision of quality, reliability, accountability, universal service and nation-wide management of the network - all these, at reasonable and uniform rates. Now, who's got the nerve and muscle to put this genie back in the bottle to revive Vail's vision?

### **Those Social Engineers Wont Quit**

While divestiture's barricades still remain in place, the D.C. social engineers have cranked up a campaign to demolish another successful "natural technology system" - this time in the cyber world...Microsoft. Although the Windows computer operating system is essentially a software offering, it is not unlike the old Bell System in terms of standards, defined interfaces and interoperability with a wide range of user devices.

As with pre-1984 telecom, users have been little harmed by Microsoft's near monopoly of Windows - only the wannabees who have wished to crawl into the inner reaches of Windows, to cream off profitable pieces of the action (but without responsibility or accountability for the costs and support of the overall system), keep whining because they didn't corner this market first.

Change the calendar and substitute the players' names, the issues and scripts of the Microsoft and Bell legal dramas, and the "plays" are markedly the same. The lawyers rake in the dough, users subsidize the costs of litigation and Windows will cost more while getting 'buggier'. So it's going for telecom.

### **Another and Final Conclusion**

Historians may well view this decades-long attack on the best interests of telecom rate payers and investors, as a near treasonous continuum - particularly, as it has now clearly impacted America's military and technology prowess (and markets).

Were a foreign power to have been detected deliberately or secretly corrupting and destroying our means of production, communications and defense, heads would roll for such not being discovered and thwarted. Yet, our own judicial and political authorities brought this state of affairs about - initiating it instead of thwarting it. And sadly, only a handful of rapidly aging observers have the slightest sense of this tragedy's dimension or how to redress it.

The author John Brooks, in his 1975 book, 'Telephone - The First Hundred Years', did a remarkable outsider's job of defining what the Federal social engineers of the 1956 to 1983 period, set about to finally successfully destroy. It should be required reading for everyone who has lost money on telephone stock, or suffered the agonies and frustrations of a "competitive" telecom market.

D.E. Lively

20 November 2002

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26 December 2002

President George Bush  
The White House  
Washington. DC

Dear President Bush,

I hope that whoever opens your mail will have perception enough to ensure that what follows, gets the attention by decision makers, that its substance warrants. For you see Mr. President, had it not been for the skill and resourcefulness of this one time WWII Navy Radioman 1<sup>st</sup> Class, it is not certain that the USS Finback (SS230) would have been on station to rescue the downed Naval aviator, George H.W. Bush, from his downed aircraft.

As a then recently graduated electronics technician, I had the microwave radar knowledge which the incumbent Finback's crew did not possess - the skills to keep the newly installed Bell labs-designed and Western Electric-built, SJ radar working reliably. When I took over the SJ's care and treatment, skipper John Tyree acquired a reliable instrument that enable him to conduct night surface attacks - attacks, which spared us having to dive (and get beaten up with Jap depth charges - the bombs which sank one of five of my fellow submariner's boats). I've never voiced this observation before, mainly, because my old skipper and surviving shipmates have told it to me often enough at our annual reunions.

Now I'd like to redeem that chit - not just for me, but for all America, and especially the employees, shareowners and retirees of the surviving Bell telecommunications companies. What follows is both complex and simple. It focuses eventually on a recent and particularly egregious 4<sup>th</sup> Amendment "takings" action of Washington - UNE-p. It requires however, some rhetorical throat clearing for me to make my point effectively.

A fifty year long campaign by an often muddling and distinctly social engineering Federal Communications Commission, plus a like minded DOJ, in 1982, pulled off what some historian will eventually conclude was one of the most treasonous acts of government in America's history - the breakup of the Bell System. It was not just about dismantling a vertically integrated research, manufacturing and service delivery enterprise (of historically unmatched ethics, value and accountability). In the stroke of a judicial pen, the 2<sup>nd</sup> most prestigious basic scientific enterprise in the world, was dumped into Washington's sewer of political correctness and anti-business moralizing.

The Bell Labs Research and Systems Engineering division was a virtually free standing basic research arm of the Bell System - one, supported by a few pennies from each telephone bill via the Telco's "license contract" with AT&T. This is the place from whence came the transistor, laser, (maser), Shannon's Information Theory (base of modern computing), satellite communications, radio broadcasting, sound movies, cellular radio, fiber optics, digital data communications, and hosts of other elements of America's once sole possession of the lead in world telecom technology.

It's also the place where 70% of WWII military electronics technology originated, this, via the BTL's Military Laboratories division, not to mention Sandia Labs, Project Safeguard, etc.. What's left is a pitifully shrunken Lucent Technologies and a shadow of Bell Labs Development Division. RTL RS&E is long gone. Both of these "laboratories were longtime engines of America's technology innovation and productivity. All this transpired because a handful of FCC-DOJ bureaucrats wanted to bring us the paragons of unethical "slamming" the artificial "competition" of the MCI's, Worldcoms. Global Crossings and the like.

Where once telephone subscribers could reach a live repair attendant in 20 seconds or less (the boss's pay rested on this), plus schedule a repair visit in the next four hours or less. Now, 6 minutes of voice prompts, elevator music and endless menus, might eventually bring a live voice and maybe a next day or two day repair appointment. As part of this delight, the telephone subscriber also enjoys the privilege of multiple bills for the variety of services once billed on a single statement.

The delights of Washington-mandated "competition" have not improved service or lowered costs - just moved the wrinkles in the "telecom rug" or squeezed its "balloon" analog.

Which finally gets me to the announced purpose of this note - UNE-p... unbundled network elements-platform. This, an egregious and unwarranted U.S. Government violation of my and other Baby Bell shareowners. 4<sup>th</sup> Amendment "takings" rights. By authorizing Competitive Local Exchange Carrier (CLECs) telecom companies to be able to lease ILEC (Incumbent Local Exchange Carrier) central office floor space, equipment, outside distribution facilities and all the associated capital and expense support of same, for less than it costs the ILEC to provide, is plain theft of my property (and that of millions like me).

Further, it's loss of huge numbers of ILEC jobs - jobs, which won't be just relocated to competitors with better technology, service or products - the CLECs function only to send bills and engage in marketing their under priced offerings - offerings, stolen with FCC-DOJ help from the ILECs. It's not the MCIs or their kind, who will restore fire or flood damage, it's the ILEC crews who'll do that dirty work left behind to restore their plant taken from them at below cost. My former employer, SBC, is cutting 11,000 jobs because of losses of line to CLECs. I'd not complain were these line losses to legitimate competitors - that would be the marketplace and capitalism at work.

What Washington has done is something like telling a startup airline with no planes, reservation systems of personnel, that they can put their brand on Delta aircraft, rented at below Delta's acquisition and operating costs, so they can undercut Delta's ticket prices. Or, closer to home, telling a start up mailing service they can have space and facilities in the Postal Service system at below USPS costs - this, so they can offer letter mailing at 25 cents for first class.

I apologize for belaboring this matter at such length. But as the '96 Telecom Act comes up for its triennial review, I believe it incumbent on the White House to finally put a stop to this '70s "divestiture insanity" - insanity which has imposed serious harms on a critical and important part of America's productive capacity and infrastructure.

Because of such appalling ignorance of history, the FCC and DOJ did great violence to the magnificent "social contract" which Theodore Vail hammered out with the DOJ in the early 1900s - this, via the "Kingsbury Commitment". That contract provided for a regulated monopoly based on end-to-end service accountability universal service and national network management. The Bell System upheld its end of that commitment and more.

Telecom treason and malfeasance, at hands of government, has taken place on the banks of the Potomac. It gave us MCI-Worldcom, Global Crossings et al, instead of Bell excellence and ethics. It also cost 500,000 jobs at Lucent, Nortel and Alcatel - plus the associated multi trillion dollar losses to the shareowners in those firms.

Should your Karl Rove policy shapers get one long time stakeholder's view of all this - from both 19 years ago and today, I've attached my "pout piece" of August 1983, plus its recent "I told ya so" epilogue.

Sincerely.

Donald E. Lively  
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Attachment.





6 December 2002

Jonathon S. Adlestein - Commissioner  
Federal Communications Commission  
Washington, DC.

Dear Commissioner Adelstein,

Can you imagine the national turmoil and outrage had a foreign terrorist power come to America, and with one stroke, destroyed the organization and scientists who collectively discovered the transistor, laser, Shannon's Information Theory, satellite communications, coaxial cable, fiber optics communications, electronic switching, sound movies, radio broadcasting, cellular radio, microwave radar for my **WWII** submarine (which rescued Pres. Bush I) and hundreds of lesser pure science discoveries. Well, allegorically that is what a bunch of DC social engineer litigators-regulators, with full FCC-DOJ initiative and support, did when the Bell System was destroyed by their efforts.

The Bell Labs Research and Systems Engineering Division (**RS&E**) went down the sewer when the 1982 Modified Final Judgment Consent Decree went into force. Allegorically, that's what happened when the DOJ-FCC, finally, with their last **try**, succeeded where their several previous efforts failed to destroy the Bell System. BTL's **RS&E** was once rated the 2<sup>nd</sup> most prestigious pure scientific research enterprise in the world - second only to UC Berkeley. And, **RS&E** was supported from a few pennies out of each phone bill, via the AT&T license contract with the Bell Operating Companies.

I belabor you with this because it represents the same sort of incredible (near treasonous) behavior of Washington regulators, prosecutors and legislators, as they continue to rape and pillage the once most efficient, ethical and service effective telecom enterprise in the entire world.

As the UNE-p farce plays out, the FCC and Congress continue to play their cruel game on RBOC share owners, employees and telecom users. Genuine competition in the market place is next to a religious faith in my belief system. But what is being passed off as competition by the Consent Decree and Telecom Act of '96, represents egregious shams which violate 4<sup>th</sup> Amendment "takings" protection of the Constitution, and on a scale I'd have once considered unimaginable.

I have absolutely no qualms about any entry to the telecom market, coming in with capital, technology and service offerings that are superior and **less** costly than whatever is being offered by any ILEC. I spent many of my Bell engineering years fostering introduction of innovative technology which competed with that of in house supplier, Western Electric ... my last four years on loan to AT&T, was managing a division tasked with finding and standardizing big ticket technology - systems, which would meet Bell Company needs. Our work, for example, made Nortel a major telecom technology player on the world scene.

But, legislating that CLECs can come to a Bell company, and demand (under Federal authority) central office space, equipment terminations, outside plant facilities, power supply and all the other provisioning support the ILEC employs for its own purposes, is government-legalized thievery. Dictating that such capabilities be "wholesaled" to the CLEC is literally stealing a part of my investment and return on same. Especially, since utility commissions like California's, set "wholesale" at below actual costs of capital and the "overheads" to build and maintain such facilities. TELRIC is a typical Washington political farce!

I have absolutely no objection to any company coming into a RBOC territory with its own construction dollars (not government subsidies), support forces, new technology and service that is superior and less costly than the ILEC's. That's capitalism and the market place at work.

The mindless UNE-p (unbundled network element-platform) regulatory dictates, totally miss the latter mark. It's as though a start up Food Giant market franchisee came into a "Kroger Grocery town", saying to Kroger, "the Feds authorize us to take over as much of your floor space and parking lot as we need to start a new super market under our name - we'll pay you rent at a figure set by the States (which happens to be less than your own amortization and operating expense)". "This will enable us to cut prices well below yours and thereby take your customers". Not a perfect analogy, but valid for illustration of central government run amok - Soviet style. Or perhaps a would be discount airline entrepreneur gets legislative approval to do an UNE-like scam on Delta Airlines - coming to Delta with Washington's dictate, saying, Delta, I'm authorized by the Feds to repaint some of your airplanes, use your crews - all, leased at 60% of your cost, and thus be able to undercut your ticket prices.

All that's different about the CLEC-ILEC scam, is that SBC's UNE-p-displaced 11,000 employees jobs wont move over to a better equipped and superior technology MCI-Worldcom, et al - no, provisioning and maintenance of SBC's facilities leased to the CLEC. will still be an SBC overhead expense and demand on capital which should be going to modernize and expand its own services.

I hope that as the triennial review of the '96 Telecom Act comes before the FCC, you will prevail upon your fellow commissioners, that it's time to level the telecom playing field and take ratepayers, shareowners and telecom employees out of this disgraceful judicial-regulatory comedy invoked by the earlier DOJ's and FCC's.

In your "spare" time, I'd also encourage a visit to the web page of a courageous young wife of a SBC cable splicer (in Palmdale, CA) - his job is likely one of those 11,000 that will cease to exist after Christmas. Heidi Neal tells her story at <[www.momsavesjobs.org](http://www.momsavesjobs.org)>.

Finally, attached is a "pout piece" I composed during my last days on loan to AT&T (from Pac Bell), The "I Told Ya So" epilogue is, I believe, most telling.

Sincerely,

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PS: As a FCC Commissioner, I'd suggest some of the very enlightening reading I just dug out of my own archives - "Telephone -The First Hundred Years (John Brooks -'75), "Wrong Number" (Alan Stone - '91), "The Biggest Corporation on Earth" (Sonny Kleinfeldt -'82), plus "Heritage & Destiny" (von Auw -'82). No legislator, prosecutor or regulator should be allowed to practice, rule or prosecute on RBOC matters, absent these historical understandings of the national genius which Theodore Vail and the courts bequeathed to America in the early '20s.

The "social contract" which, in the early 1900s, Vail entered into with Washington, under the "Kingsbury Commitment, made enormous and profitable sense for America all these decades since. No one has suggested that we need two US Navys or multiple USPS Departments. The only difference between this analogy and the former Bell System, is that it was efficient, socially responsible and accountable to the American public.

Please see that these comments reach the Commission's triennial hearings on **the** '96 Telecom Act.

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